



March 19, 2017

Sunflower Sustainable Investments Ltd
Ramat Gan, ISRAEL

**Re: Sunflower Sustainable Investments Ltd. Financial statements as of
December 31, 2016**

As the auditors of the company and at your request, we confirm that the translated consolidated balance sheet as of December 31, 2016 and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the year ended on that date (hereinafter – the financial statements), attached herewith and stamped by us for identification purposes, are identical to the financial statements as of December 31, 2016 that were approved and signed by the company on March 19, 2017 and published to the public.

Kind Regards,


Kesselman & Kesselman
Certified Public Accountants (Isr.)
PwC Israel

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SUNFLOWER SUSTAINABLE INVESTMENTS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2016

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Kesselman & Co.
for identification

SUNFLOWER SUSTAINABLE INVESTMENTS LTD

CONSOLIDATED BALANCE SHEETS

	December 31	
	2016	2015
	NIS in thousands	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	177,041	41,983
Short-term investments	6,131	20,360
Trade and accrued income	18,902	27,835
Other accounts receivable	13,316	21,319
	215,390	111,497
Asset classified as held for sale	7,402	28,135
	222,792	139,632
NON-CURRENT ASSETS:		
Accounts receivable	15,789	25,089
Investments accounted for using the equity method	-	80,469
Investment in photovoltaic plants	213,175	463,386
Licenses for production of electricity in photovoltaic plants	15,738	29,506
Investment in wind technology plants for electricity production	231,168	271,554
Licenses for production of electricity by wind technology	26,387	30,208
Investment property	61,570	61,350
Property, plant and equipment	670	779
Deferred taxes	10,059	13,410
	574,556	975,751
	797,348	1,115,383

Date of approval of the financial statements: March 19, 2017

 Aharon Biram Chairman of the Board	 Orly Kyrum CEO	 Rachel Segal CFO
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SUNFLOWER SUSTAINABLE INVESTMENTS LTD

CONSOLIDATED BALANCE SHEETS

	December 31	
	2016	2015
	NIS in thousands	
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term credit and current maturities of long-term loans from banks	83,506	70,583
Current maturities of debentures and convertible debentures	94,024	75,228
Loans from non-controlling shareholders in subsidiaries	2,520	6,263
Trade payables	4,252	3,753
Other accounts payable	24,507	27,986
	208,809	183,813
NON-CURRENT LIABILITIES:		
Loans from banks and others	288,241	528,222
Convertible debentures	-	95,115
Loans from non-controlling shareholders in subsidiaries	6,952	18,159
Deferred taxes	13,797	6,635
	308,990	648,131
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:		
Share capital	32,951	32,951
Share premium	224,933	224,933
Warrants and share-based payment	8,362	8,362
Reserve for share-based payment	1,130	1,130
Capital reserve	(572)	(572)
Foreign currency translation adjustments	(5,356)	(5,897)
Accumulated earnings	9,181	9,494
	270,629	270,401
Non-controlling interests	8,920	13,038
Total equity	279,549	283,439
	797,348	1,115,383

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SUNFLOWER SUSTAINABLE INVESTMENTS LTD

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year ended December 31	
	2016	2015
	NIS in thousands	
Revenues	104,313	113,645
Cost of revenues	<u>63,167</u>	<u>61,077</u>
Gross profit	41,146	52,568
Valuation gains (Impairment) of investment property, net	220	(3,030)
Valuation losses of Investment in wind technology plants for electricity production	(4,894)	-
General and administrative expenses	(12,533)	(14,311)
Other income, net	27,836	1,200
Share of earnings of investments accounted for using the equity method	<u>86</u>	<u>1,390*</u>
Operating income	51,861	37,817
Finance income	4,354	3,741
Finance costs	<u>(58,685)</u>	<u>(70,810)</u>
loss before taxes on income	(2,470)	(29,252)
Taxes on income (tax benefit)	<u>11,068</u>	<u>(682)</u>
loss from continuing operations	(13,538)	(28,570)
Income from discontinued operation , net	<u>9,258</u>	<u>10,424 *</u>
loss for the year	<u>(4,280)</u>	<u>(18,146)</u>
Other comprehensive income (loss):		
Foreign currency translation adjustments	<u>390</u>	<u>(4,586)</u>
Total comprehensive loss for the year	<u>(3,890)</u>	<u>(22,732)</u>
Loss attributable to:		
Equity holders of the Company	(313)	(15,301)
Non-controlling interests	<u>(3,967)</u>	<u>(2,845)</u>
	<u>(4,280)</u>	<u>(18,146)</u>
Total comprehensive income (loss) attributable to:		
Equity holders of the Company	228	(19,432)
Non-controlling interests	<u>(4,118)</u>	<u>(3,300)</u>
	<u>(3,890)</u>	<u>(22,732)</u>
<u>Income (loss) per share attributable to equity holders of the Company (in NIS):</u>		
Net loss from continuing operations	(0.29)	(0.78)
Net income from discontinued operation	<u>0.28</u>	<u>0.32</u>
Loss for the year	<u>(0.01)</u>	<u>(0.46)</u>

* The Company's activity in Spain was classified as discontinued operation

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SUNFLOWER SUSTAINABLE INVESTMENTS LTD

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Share capital	Share premium	Warrants	Share based payment	Retained earnings	Capital reserve	Foreign currency translation adjustments	Total	Non controlling interests	Total equity
	NIS in thousands									
Balance at January 1 2015	32,951	224,933	8,362	1,130	24,795	(572)	(1,766)	289,833	16,338	306,171
Loss for the year	-	-	-	-	(15,301)	-	-	(15,301)	(2,845)	(18,146)
Comprehensive loss - foreign currency translation adjustments, net	-	-	-	-	-	-	(4,131)	(4,131)	(455)	(4,586)
Total comprehensive loss	-	-	-	-	(15,301)	-	(4,131)	(19,432)	(3,300)	(22,732)
Transactions with equity holders:										
Balance as of December 31, 2015	32,951	224,933	8,362	1,130	9,494	(572)	(5,897)	270,401	13,038	283,439
Loss for the year	-	-	-	-	(313)	-	-	(313)	(3,967)	(4,280)
Realization of foreign currency translation adjustments	-	-	-	-	-	-	2,345	2,345	-	2,345
Comprehensive loss - foreign currency translation adjustments, net	-	-	-	-	-	-	(1,804)	(1,804)	(151)	(1,955)
Total comprehensive income (loss)	-	-	-	-	(313)	-	541	228	(4,118)	(3,890)
Balance as of December 31, 2016	32,951	224,933	8,362	1,130	9,181	(572)	(5,356)	270,629	8,920	279,549

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SUNFLOWER SUSTAINABLE INVESTMENTS LTD

CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>Year ended December 31</u>	
	<u>2016</u>	<u>2015</u>
	<u>NIS in thousands</u>	
<u>Cash flow from operating activities:</u>		
Loss for the year	(4,280)	(18,146)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Adjustments to the profit or loss items:		
Finance costs, net	54,331	67,069
Depreciation and amortization	48,160	41,272
Impairment of investment property, net	(220)	3,030
Net gain on sale of photovoltaic installations	(11,222)	-
Net gain on sale of subsidiary	(16,207)	-
Taxes on income (tax benefit)	11,763	(682)
Share of income of investments accounted for using the equity method	(2,028)	(11,814)
	<u>84,577</u>	<u>98,875</u>
Changes in asset and liability items:		
Decrease (increase) in trade and other accounts receivable	3,916	(1,664)
Increase (decrease) in trade and other accounts payable	1,735	(10,888)
	<u>5,651</u>	<u>(12,552)</u>
Cash paid and received during the period for:		
Interest paid	(30,492)	(42,984)
Interest received	14,371	235
Taxes paid	(13,250)	(7,750)
Taxes received	2,332	4,831
	<u>(27,039)</u>	<u>(45,668)</u>
Net cash provided by operating activities	<u>58,909</u>	<u>22,509</u>

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SUNFLOWER SUSTAINABLE INVESTMENTS LTD

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31

2016 2015

NIS in thousands

Cash flow from investing activities:

Investment in renewable energy and licenses for production of electricity (includes advances payments)	(12,330)	(29,543)
Proceeds from the sale of photovoltaic installations	84,652	609
Purchase of fixed assets	(70)	(38)
Proceeds from sale of investment property	28,350	-
Decrease (increase) in non-current accounts receivable and others	(2,008)	615
Purchase of marketable securities	-	(8,883)
Sale of marketable securities	8,734	41,709
Collection (deposit) of bank deposits	5,431	(2,287)
Repayment of loans to investments accounted for using the equity method, net	42,740	8,906
Proceeds from sale of shares of investments accounted for using the equity method, net	28,639	-
Dividend from consolidated subsidiary	325	720
Purchase of consolidated subsidiary (see a below)	-	(124,335)
Proceeds from sale of subsidiary (see b below)	71,447	5,214
Net cash provided by (used in) investing activities	255,910	(107,313)

Cash flow from financing activities:

Repayment of loans from non-controlling shareholders in subsidiaries	(13,680)	(10,931)
Repayment of debentures	(74,536)	(103,433)
Receipt of long-term loans from banks and others	8,554	136,002
Repayment of long-term loans from banks and others	(92,401)	(31,609)
Short-term credit from banks and others, net	(5,161)	5,136
Net cash used in financing activities	(177,224)	(4,835)
Translation differences of balances of cash and cash equivalents	(2,537)	(869)
Increase (decrease) in cash and cash equivalents	135,058	(90,508)
Cash and cash equivalents at the beginning of the period	41,983	132,491
Cash and cash equivalents at the end of the period	177,041	41,983

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SUNFLOWER SUSTAINABLE INVESTMENTS LTD

CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>Year ended December 31</u>	
	<u>2016</u>	<u>2015</u>
	<u>NIS in thousands</u>	
(a) Purchase of consolidated subsidiary:		
The subsidiary's assets and liabilities at date of purchase :		
Working capital (excluding cash and cash equivalents)	-	(9,931)
Investment in wind technology plants for electricity production	-	(114,404)
	<u>-</u>	<u>(124,335)</u>
(b) Sale of Subsidiary:		
The subsidiary's assets and liabilities at date of the sale :		
Working capital (excluding cash and cash equivalents)	11,423	551
Investment in photovoltaic plants and Licenses	149,446	11,457
Non-current accounts receivable and others	10,953	724
Deferred taxes, net	4,620	(118)
Non-current liabilities	(113,191)	(8,191)
Capital gain from sale of subsidiary	8,196	791
	<u>71,447</u>	<u>5,214</u>
(c) Significant non-cash transactions:		
Payments on account of solar photovoltaic plants	-	32,788

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